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SUBJECT: UZBEKISTAN: ADB SIGNS MOU ON AFGHAN RAILWAY

REF: TASHKENT 1245

¶1. (SBU) SUMMARY. Hong Wang, the ADB's visiting Director for Transport and Communications, told us on July 16 that he expected to sign an MOU with the GOU to build a rail link from Hayraton to Mazar-i-Sharif in Afghanistan. He said construction would begin this October, and an ambitious timetable has completion scheduled for October of next year. The budget will be between \$120-150 million. In a follow-up conversation the next day, ADB country director Hong Wei told us the MOU had been signed following an evening meeting with First Deputy Prime Minister Rustam Azimov.  
END SUMMARY

ADB TO FINANCE AFGHAN RAILWAY

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¶2. (SBU) Hong Wang, Director of the Asian Development Bank's (ADB) Transport and Communications Division, has been in Tashkent this week to discuss construction of a 70-80 km rail link from Hayraton to Mazar-i-Sharif in Afghanistan. The GOU has long advocated this link, and the ADB has been conducting a feasibility study since early this year. Wang said he would meet with First Deputy Prime Minister Rustam Azimov that evening and that he expected an MOU to be signed within a day. In accordance with this MOU, the contract to build the railway will be awarded in mid-October with completion scheduled within 12 months. This will be a fixed price, fixed schedule contract with penalties to be imposed for failure to meet either price or schedule. The budget is expected to be \$120-150 million USD. Uzbek Railways has the inside track for this contract, and no other serious contenders are expected. This will be the first time that Uzbekistan builds a rail line outside its borders. An independent Supervisory Consultant will be chosen to oversee construction. Following completion, Uzbek Railways will maintain and operate the new line for three years.

¶3. (SBU) The new rail line will be built to the wider Russian gauge to make it compatible with shipments coming through Russia and the CIS. Wang told us that in addition to the Uzbek line, there are also short rail lines coming into Afghanistan from Pakistan and Turkmenistan. The ADB at present envisions these lines being extended to the Afghan ring road using the gauge standards of the existing lines, with trans-loading facilities then moving the loads to cars of a uniform gauge that will be standardized within the ring road. This is all considered Phase 1 of the Project. Phase 2 will begin with a feasibility study on extending the line from Mazar-i-Sharif to Herat on the Iranian border.

14. (SBU) The GOU has raised the issue of security during construction and is looking for assurances from the Government of Afghanistan. Wang said that both Kabul and local government in Mazar-i-Sharif have said they are committed to ensuring the safety and security of the project. Wang said that Uzbek Railways expects to have up to 500 Uzbek workers in Afghanistan during construction.

MOU SIGNED - NEXT STEPS

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15. (SBU) On July 17 ADB Country Director Hang Wei told us that Hong Wang had met with First Deputy Prime Minister Rustam Azimov the previous evening and that the MOU on the Hayraton to Mazar-i-Sharif link had been signed. According to Wei, the Uzbeks will send a new team of engineers into the field to choose the final routing and prepare a final cost estimate. (NOTE: Although the route from Hayraton is flat with few obstacles, some route variations are possible and one short bridge may be required.) Wei said one issue of concern is the source of the rails used in the construction. Uzbekistan traditionally buys rails from Russia or Ukraine, but the ADB's mandate does not extend to purchases from these countries. A waiver for this purchase may be required, or other sources for rails will need to be identified. Nevertheless, Wei said the GOU

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had agreed to the schedule, and he is optimistic that construction will begin on schedule in October.

16. (SBU) ADB's next step will be to convince its Board of Directors that the project can be completed within the accelerated timeline. Wang requested that we express our support of the project to the U.S. representative on the board.

COMMENT

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17. (SBU) We often hear reports that Hayraton is a major bottleneck for supplies being sent to NATO forces via the Northern Distribution Network (reftel). The facilities in Hayraton are limited and out-of-date. The new rail link to Mazar-i-Sharif, which is located on the Afghan ring road, will do much to eliminate this bottleneck. The news that the ADB has concluded an MOU for construction of this link is very welcome news indeed.  
BUTCHER